

PBS Performance Measure Definition

Measure Name:	Lease Cost Avoidance		
Measure Owner:	Office of Leasing	Point of Contact:	Shawn Edwards Co:Matt Heaps (Actuals)
Measure Description:	This measure calculates the realized cost avoidance from lease transactions. Specifically, it identifies realized cost avoidance through negotiating leases below market costs, reductions in RSF and moves to Federal Space.		
Strategic Alignment:	Lease Cost Avoidance		
Reporting Frequency:	Monthly; following 9/1/2021- 8/31/2022 as a complete FY		
Scope (Range) of Data	<p>Measure universe consists of leases planned to be made active in REXUS in FY22 which meet the criteria below. Leases moving into owned space will be included and counted as cost avoidance. All leases effective in FY22 will be compared to the prior lease, where applicable, to identify any cost avoidance from RSF reductions. To calculate negotiated cost avoidance, leases must be in a major market or an authorized prospectus. All leases effective in FY22 for primarily office space in a major market will be compared to market rates to identify cost avoidance. Leases in markets not subject to LCRM will be evaluated for RSF changes, unless part of an excluded category listed below. To enable adequate review time, this measure will utilize an offset fiscal year. Actions with an approved "Digest Approval Date" or "Lease Termination Date" in REXUS from 9/1/2021 through 8/31/2022 will be included.</p> <p>Exclusions from the measure:</p> <ul style="list-style-type: none"> • Extensions • Land Ports of Entry • VA Community Based Outpatient Clinics (6 pilot projects; prospectus level office project is included) • On-Airport Leases • Decennial Census Leases • Disaster Leases • Zero SQFT leases <ul style="list-style-type: none"> ◦ Parking only leases ◦ Antenna leases ◦ Land Leases • Tenancy Agreements with USPS • Low Value Top Secret or Classified facilities (Low value defined as less than \$700,000 in annual levelized rent) • Swing Space Occupancies 		
Data Sources:	<ul style="list-style-type: none"> • Real Estate Across the United States (REXUS) - PBS Real Property Inventory System • Occupancy Agreement Tool (OA Tool) - web-based application for creating occupancy agreements for client agencies • Bullseye - a market analysis report for a specific requirement developed from the data of three commercial real estate companies, CoSTAR, REIS, and CBRE Econometric Advisors. • Lease Cost Relative to Market Assessments- cash flow analysis comparing the rental components of a government lease contract to a market equivalent deal. • Prospectus Congressional Resolutions 		
Measure Calculation:	<p>Cost Avoidance calculations will vary depending on the type of lease:</p> <ol style="list-style-type: none"> 1) Prospectus level leases: (((Greater of Prior Lease RSF or Authorized RSF x Authorized Rate) - (New Lease RSF x Effective Rate)) x Full Lease Term) 2) Non-prospectus, replacing leases within a REIS market: ((Prior Lease RSF x Market Rate) - (New Lease RSF x Effective Rate)) x Full Lease Term 3) All other replacing leases: (Prior lease RSF - New Lease RSF) x Prior Lease Rate x Full Lease Term 4) Leases moved to Federal Space - Prior Lease RSF x Prior Lease Shell Rent x 10 years 		

	<p>- For partial moves to Federal: Prior Total Lease Shell Rent - New Total Lease Shell Rent x 10 years</p> <p>5) Leases moved from Federal Space</p> <ul style="list-style-type: none"> - Methodology applied will be as indicated in either 1, 2 or 3 above. - Prior OA information will be used <p>6) Leases new to the inventory</p> <ul style="list-style-type: none"> - ((New Lease RSF x Market Rate) - (New Lease RSF x Effective Rate)) x Full Lease Term - Savings from negotiations only will be calculated <p>7) Building Purchase</p> <ul style="list-style-type: none"> - ((Prior Lease Shell Rent x Prior Lease RSF) x 20 years) - Purchase Price <p>8) Agency Closed Office</p> <ul style="list-style-type: none"> - Prior Lease RSF x Prior Lease Shell Rent x 5 years <p>For the above calculations:</p> <ul style="list-style-type: none"> • Effective Rate is the levelized rate of the lease per the LCRM methodology (considers all concessions). • Market Rate is the levelized Bullseye rate per the LCRM methodology. Leases not subject to LCRM (such as non-office or leases with less than 75% office) will have changes in RSF monetized only by using the prior lease rate; there will be no comparison of rate to market. • Prior Lease Rate is the last billed rate of the expired lease. • Full lease term does not include options. Renewal options will be evaluated against the standard methodology applicable to that particular lease. Prior RSF and Current RSF will be based on the associated OAs. • Any action that includes a returning delegations/agency direct leases to GSA-controlled space will be calculated using the existing RSF to compare to the follow-on action. Individual regions are responsible for identifying and documenting the prior RSF for any returning delegation/agency direct lease to be included. • For prospectus projects, the effective and authorized rates are levelized/escalated to ensure fidelity for comparison. The GSA levelized effective rate derived from LCRM will exclude the Year 0 cash flow for prospectus projects only to better align with how prospectus authorized rates are developed. • For projects involving phased occupancies, cost avoidance will not be realized and may be carried over FYs until all associated projects are complete and all the prior leases have been terminated. • For Agency Closed Office, the measure will include lease terminations resulting from "Agency Closed Office" where the agency reduced RSF based on strategic consolidation brought on by increases in teleworking and office sharing solutions. Does not include Census and other leases involving planned terminations at the end of programs or change of mission.
Target Setting Methodology	<p>Level 3 = 10% below Level 4 Level 4 = regional projection for lease cost avoidance minus 1% Level 5 = 5% increase from Level 4</p> <p>Regional targets will include all leases planned to be effective in FY22, as of the September 2021 data pull.</p> <p>This metric is a regional measure with regional targets.</p>
Data Collection Methodology:	<p>Each month, we will evaluate the leases that became effective for the above cost avoidance. The reporting year will be September 2021 through August 2022.</p>
Reliability Explanation:	<p>Each month, the report will be generated and disseminated to stakeholders for review. Identified issues will be investigated and resolved.</p>

Changes for FY22:	LINK TO LCA FAQ DOC
	-Removed the firm term test for full term cost avoidance to align LCA measure with the use of strategic lease terms.
	-Added new calculation for office closures meant to reward strategic consolidations and reductions in leased RSF brought on by increases in teleworking and office sharing solutions
	-Change level4 target to be projection at time of setting minus 1%
	-Clarified treatment of phased occupancies and when cost avoidance will be realized.
	-Clarified calculation for partial move to federal spaces
	-Clarified how the GSA effective rate is derived from LCRM for prospectus projects only.

Measure Targets

National Targets	FY18-21 Program Totals		FY22
	Target	Actual	Target
Level 3:	\$2,826,904,190	\$4,870,028,238	\$762,305,412
Level 4:	\$3,077,777,878		\$850,174,212
Level 5:	\$3,229,071,914		\$908,753,413

Regional Targets		FY18-21 Program Totals		FY22
		Target	Actual	Target
1	Level 3:	-\$41,221,887	\$18,496,588	-\$13,693,170
	Level 4:	-\$37,203,442		-\$12,572,820
	Level 5	-\$35,825,946		-\$11,825,920
2	Level 3:	\$148,040,580	\$244,943,542	\$103,807,252
	Level 4:	\$163,133,982		\$114,187,977
	Level 5	\$171,050,851		\$121,108,461
3	Level 3:	\$255,353,470	\$458,081,199	\$111,645,099
	Level 4:	\$270,693,065		\$122,809,609
	Level 5	\$282,487,451		\$130,252,615
4	Level 3:	\$29,906,905	\$215,179,416	-\$32,337,330
	Level 4:	\$36,696,539		-\$29,691,549
	Level 5	\$39,740,535		-\$27,927,694
5	Level 3:	\$72,801,284	\$127,799,771	\$23,024,386
	Level 4:	\$77,516,832		\$25,326,825
	Level 5	\$80,708,633		\$26,861,784
6	Level 3:	-\$2,507,795	\$38,227,401	\$96,705,270

	Level 4:	\$410,130		\$106,375,798
	Level 5	\$1,328,219		\$112,822,816
7	Level 3:	\$287,450,531	\$510,627,644	-\$12,973,674
	Level 4:	\$313,380,886		-\$11,912,192
	Level 5	\$327,066,972		-\$11,204,537
8	Level 3:	\$50,817,817	\$113,229,879	-\$5,006,252
	Level 4:	\$59,935,956		-\$4,596,649
	Level 5	\$67,229,318		-\$4,323,581
9	Level 3:	\$188,548,196	\$272,533,887	\$71,002,415
	Level 4:	\$202,421,865		\$78,102,656
	Level 5	\$211,800,479		\$82,836,150
10	Level 3:	\$99,168,049	\$112,618,892	\$54,228,992
	Level 4:	\$100,937,648		\$59,651,892
	Level 5	\$101,733,745		\$63,267,158
NCR	Level 3:	\$1,738,547,041	\$2,825,953,130	\$365,902,423
	Level 4:	\$1,889,854,415		\$402,492,666
	Level 5	\$1,981,751,657		\$426,886,161